NOV 2 3 1984

336.7135
M264

Allan G. Andrews, C.A.
Metropolitan Auditor

THE BOARD OF MANAGEMENT OF THE METROPOLITAN TORONTO ZOO

Report on the audit of the books and accounts for the year ended

December 31, 1983

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1
Telephone: (416) 947-8030

Allan G. Andrews, C.A., *Metropolitan Auditor*

April 4, 1984

**The Chairman and Members of the
Board of Management of the
Metropolitan Toronto Zoo**

I have examined the financial statements of the Board of Management of the Metropolitan Toronto Zoo for the year ended December 31, 1983. These financial statements and my related opinion are attached at the end of this report.

The comments in this report deal with the operation in some greater detail than the financial statements. In this way, Metropolitan Council, as well as the Board of Management, are provided with an objective and independent commentary on the financial operations of the Metropolitan Toronto Zoo .

OPERATIONS FOR 1983

The Zoo nas now completed nine full years of operation. Attendance has stabilized at just in excess of 1 million. The table following sets out the breakdown of admission statistics for the past five years:

	1983	1982	1981	1980	1979
			(in thousands)		
Adults	561	573	543	509	548
Students/Senior Citizens	111	116	118	116	122
Children	232	253	230	238	253
Total paid admission	904	942	891	863	923
Children under 5 and passes	216	187	188	155	175
Total admissions	1,120	1,129	1,079	1,018	1,098

There have been no admission price increases since June 1, 1980. Discounts given in 1983 amounted to $154,000 (1982 - $168,000).

As a consequence, it appears extremely unlikely that operations will provide any substantial additional revenues in the foreseeable future. Operating revenue for 1983 provided 37.5% of the total funding for operations. Again, this source of funding has been consistent, ranging from 37% to 40% of the total over the past few years. Accordingly, unless alternate methods of funding are found, the Municipality of Metropolitan Toronto will have to continue to underwrite a substantial proportion of the operating costs of the Zoo.

The total cost of the Zoo to the Metropolitan Corporation for the past five years is set out below:

	1983	1982	1981	1980	1979
			(in thousands)		
Contribution by the Metropolitan Corporation toward operating costs	$ 5,941	$ 5,682	$ 4,742	$4,264	$3,708
General construction and improvements - debt charges	3,175	3,209	3,236	3,247	3,149
Zoo Ride - debt charges	1,283	1,303	1,284	1,267	1,274
- lease payment	612	612	612	612	612
Capital expenditures out of current		383	560		265
	$11,011	$11,189	$10,434	$9,390	$9,008

The Metropolitan Corporation is entitled to any surplus and responsible for any deficit on operations of the Zoo.

The debt charges set out in the preceding table represent the charges on the debentured portion of an accumulated total of $35,596,000 spent on construction of the Zoo buildings and facilities as follows:

Original Zoo construction	$23,928,000
Zoo Ride rolling stock	8,745,000
Gaur exhibit	190,000
Pavillion roofing repairs	350,000
Other Zoo improvements	2,383,000
	$35,596,000

Lease payments set out in the table are in respect of Zoo Ride rolling stock valued at $5,151,000. A further $2,947,000 not included in the table has been spent by the Zoological Society on permanent buildings or facilities, now the property of the Corporation.

In early 1983, Metropolitan Council approved the budget estimates for the Zoo. The comparison of the 1983 actual to budget figures is set out below:

	Actual	Budget	Variance $	Variance %
		(in thousands)		
OPERATING COSTS:				
Salaries and wages	$6,586	$6,713	(127)	(1.9)
Animal and plant care supplies	565	538	27	5.1
Maintenance, supplies and utilities	1,633	1,506	127	8.5
Advertising and promotion	264	264	-	-
Equipment	256	123	133	107.6
Office supplies, rentals and services	150	162	(12)	(7.2)
Other	74	79	(5)	(7.2)
	9,528	9,385	143	1.5
OPERATING REVENUE:				
Admissions	2,238	2,274	(36)	(1.5)
Parking	359	380	(21)	(5.6)
Domain and surface rides	413	485	(72)	(14.9)
Concessions	125	116	9	7.7
Other	436	171	265	155.3
	3,571	3,426	145	4.2
NET COST OF OPERATIONS	$5,957	$5,959	(2)	-

Included in actual costs are various labour intensive maintenance projects costing $15,476 which were undertaken under the Canada/Ontario Employment Programme. These costs were fully recovered by the Corporation from both the Province of Ontario and the Government of Canada. The budgeted figures have been adjusted to reflect this expenditure.

The operation of the Zoo is extremely labour intensive and accordingly salaries, wages and related benefits are the major operating cost, representing 69.1% of the total.

A comparison of the 1983 salary and wage costs with 1982 is as follows:

	1983	1982
	(in thousands)	
Management, supervisory and clerical salaries	$1,251	$1,156
Hourly paid wages	4,051	3,823
Part-time and temporary staff	410	375
Employee benefit costs	874	803
	$6,586	$6,157

The permanent staff complement at December 31 consisted of:

Function	1983	1982
Care of animals and plants	104	102
Maintenance and operation of facilities	60	57
Services to the public	20	20
Management, financial and clerical	35	36
Education officer and co-ordinator of volunteers	2	2
	221	217

The authorized staff complement for both years was 224.

The salaries of the education officer and the co-ordinator of volunteers are shared equally by the Board and the Zoological Society.

The cost of food and supplies for animals and supplies for plant care, while aggregating $565,000 for the year, represents only 5.9% of the total operating costs but did increase by 9% in 1983.

Maintenance, supplies and utilities accounted for $1,633,000 or 17.1% of the total operating costs. This includes the following larger items:

Second phase of Littlefoot Land	$ 76,000
Gasoline storage tank	19,000
Sanitary sewers	18,000
Gas meters	22,000
Reroofing	40,000
Repairs to Valley Halla	21,000
Rockwork for the tahr and dall sheep exhibit	24,000
	$220,000

The Littlefoot Land costs were financed in full by the Zoological Society (from donations received).

Advertising and promotion costs were $264,000, an increase of $19,000 from 1982. This represents 2.8% of the total operating costs.

Equipment purchases amounted to $256,000 for 1983. This included $122,000 relating to the purchase of a fourth surface train, financed in full by a contribution from the Zoological Society, an expenditure not contemplated in the budget of $123,000.

Consistent with prior years, inventories of food, drugs, materials and supplies are not recorded in the accounts. Inventories were originally excluded from the accounts because they were small in size and did not vary appreciably from year to year. In 1983, these inventories amounted to approximately $195,000. As I mentioned in my 1982 report, in my view, the Board should reconsider its policy of not recording these inventories in the accounts.

I have commented on admission revenue and attendance on page 1. Parking revenue is highly dependent on adult attendance. The parking charge was doubled in price to $2.00 per car in 1983. There was a 15% decline in the number of cars using the main parking lot in 1983, but the increase in the charge more than offset this decline and contributed to a significant increase in net revenue.

Revenue and expenses of the parking operation for 1983 and 1982 were as follows:

	1983	1982
	(in thousands)	
Gross revenue	$ 359	$ 210
Direct expenses (wages, supplies, etc.)	20	15
	$ 339	$ 195

Direct parking expenses are included in the related expenditure accounts in the financial statements.

The Zoo operates two transportation systems. The major one is the Domain Ride. The second is a trackless surface train. Patrons are charged $1.00 for each of the Surface Ride and the Domain Ride, with a reduced fare on the Domain Ride of 50¢ for children under twelve and 25¢ for school groups. Children under five travel free on both rides.

The number of riders during 1983 and 1982 were as follows:

	1983	1982
	(in thousands)	
Surface ride	180	185
Domain ride	441	455

Ride operating revenue and costs for 1983 and 1982 were as follows:

	Domain Ride	Surface Ride	Total 1983	Total 1982
		(in thousands)		
Gross Revenue	$273	$140	$413	$435
Expenses				
Salaries and wages	227	35	262	243
Maintenance and supplies	54	7	61	57
Fuel	36	5	41	35
Equipment	14		14	17
	331	47	378	352
Net Revenue (Cost of Operation)	$(58)	$ 93	$ 35	$ 83

The Zoological Society contributed $141,000 in 1982 which, together with unexpended amounts from previous donations, was to be used for purchase of a fourth surface train. The cost of this train was $132,000, of which $10,000 was paid in 1982 and the balance in the current year. The unexpended portion of the contribution has been or will be used for other projects. Details of all Society contributions and their disposition are set out on page 8.

Concession revenue is received from the operator of the restaurant facilities at the Zoo. This is paid under the terms of a long term agreement whereby the operator pays monthly to the Zoo 6% of the gross revenue of his operation.

Other sources of operating revenue consist of the following:

	1983	1982
	(in thousands)	
Society donation	$205	$168
Camel rides	52	37
On-site filming	7	3
Interest	8	35
Share of net profit on retail sales	30	30
Share of membership revenue	33	32
Stroller rental	22	20
Sale of assets	6	15
Pony ride	11	11
Littlefoot club	7	5
Fish food sales	2	1
Ski revenue		4
Miscellaneous	53	41
	$436	$402

Several of the above items warrant brief further comment:

Society Donation

The Metropolitan Toronto Zoological Society makes contributions from time to time for specific projects. These contributions are taken into revenue as the related funds are expended. Unexpended funds are shown on the balance sheet as a contribution from the Society for future purchases.

Transactions for 1983 were as follows:

Unexpended funds, beginning of year		$132,000
Contributions received in 1983 for Littlefoot Land		76,000
		208,000
Expended in 1983		
Littlefoot Land	$ 76,000	
Fourth surface train	122,000	
Parrot aviary	7,000	205,000
Unexpended funds, end of year		$ 3,000

The balance of $3,000 is to be applied in 1984 to the costs of completion of the parrot aviary.

Camel Rides

Visitors were able to take camel rides for a fee of $1.00 per person.

On-Site Filming

From time to time, the Zoo receives requests from various film companies to use Zoo facilities. A daily fee plus costs incurred is charged.

Interest

Interest income reflects interest received from the Metropolitan Corporation in respect of funds in the Zoo's bank accounts. Under its banking arrangements, the Corporation receives interest based on its consolidated banking position, including Zoo accounts. The Corporation, in turn, re-distributes their share of such interest to the Zoo.

Share of Net Profit on Retail Sales

The Zoological Society operates the retail store on the Zoo site. Under the agreement between the Zoological Society and the Board, the Zoo receives 10% of the net profit from retail sales.

Share of Membership Revenue

Under the agreement with the Board, Members of the Zoological Society are admitted free to the Zoo and the Zoological Society reimburses the Board for 1/3 of the annual membership revenues, not to exceed by 120% the amount paid in the previous year.

Sale of Assets

The major items include the sale of equipment at the Metropolitan Corporation auction in the amount of $3,000, and the allowance received on trade of the old turnstiles amounting to $2,000.

Littlefoot Club

This is a special club for children 16 years of age and under, which was established in 1979. For a $5.00 fee, members receive a monthly newsletter, club button, T-shirt, etc., and are invited to special promotional events to which they are admitted free of charge. In 1983, a company purchased 1,000 memberships for $2,000 and gave away these memberships at the C.N.E. and at the sponsor's company store.

Ski Revenue

The Zoo actively promotes the use of the site for cross-country skiing and has entered into an arrangement with an independent operator to maintain a ski equipment and rental store. Under this agreement, the operator grooms the trails, pays all operational costs and the Zoo receives 10% of all rental fees. Because of poor cross-country skiing conditions, no revenue was received by the Zoo in 1983.

Miscellaneous Revenue

This includes revenue earned from charges for grass cutting, etc., done on behalf of the Metropolitan Corporation, a garbage collection contract, locker rentals and vending machines, gains on foreign exchange, and charge backs to the Zoological Society for salaries, utilities, janitorial service and insurance claims.

GENERAL COMMENTS

Operating Agreement with the Metropolitan Corporation

The Board is operating under two major agreements. The first with the Municipality of Metropolitan Toronto and the Metropolitan Toronto and Region Conservation Authorities embodies some of the relevant statutory provisions of the Municipality of Metropolitan Toronto Act and defines with some precision the operating relationship of the Corporation and the Board. This agreement, which was adopted by Metropolitan Council on March 7, 1978, provides among other things that:

1. The Board assume and have full responsibility for the operation of the Zoo, in compliance with any general policies established by the Metropolitan Council, and in particular for:

    a) the acquisition and custody, etc., of all plants and animals,
    b) the selection and administration of activities and facilities,
    c) the complete upkeep and maintenance of the buildings and grounds on the site,
    d) the provision of heating, air conditioning, lighting and security and protective services,
    e) the provision of all personnel to operate and maintain the Zoo,
    f) the complete upkeep and maintenance of sewers, water mains and service pipes to the site and their connections to adjacent municipal sewer and water systems,
    g) transportation at the Zoo, including the Canadian Animal Domain Ride.

2. The Corporation shall have title to all items of which the Board has custody.

3. Members of the Zoological Society will be given free admission to the Zoo.

4. The Board shall honour commitments made under the Zoological Society's Zoo Fund and donations prior to January 1, 1978.

5. The Corporation shall be entitled to any net income resulting from the Zoo's operations and shall be responsible for any deficit incurred by the Zoo.

6. The Zoological Society shall be represented on the Board.

Operating Agreement with the Zoological Society

The second major agreement is with the Zoological Society and provides for the assumption of operations on May 1, 1978 and certain continuing operating relationships.

In particular, the Board agreed to assume responsibility for purchase of plants and animals (formerly acquired with Zoological Society funds) and assumed responsibility for existing purchase commitments. Further comments on the operations of the animal revenue fund are included on page 13.

The agreement also gave the Zoological Society an option to assume operation of the gift shop, which was exercised and on which I comment on page 10. It also specifies a formula for reimbursement of the Board for free admission privileges given to Zoological Society members, and I comment on this on page 10.

Insurance

During the course of my audit, I reviewed the insurance coverage. Property damage is insured up to a maximum of $50,000,000 and coverage for public liability of $25,000,000 is maintained. Insurance, except for live animals in transit and the restaurants, is arranged through the Metropolitan Toronto Commissioner of Finance and all deductible amounts are covered by the Corporation's self insurance reserve fund.

Animal Revenue Fund

In May 1978, the Board assumed responsibility for purchase of plants and animals. Previous to this, they had been acquired with funds of the Metropolitan Toronto Zoological Society. At that time, the Board assumed responsibility for outstanding purchase commitments and other related collection transactions and the Society transferred funds to the Board for this purpose.

The Zoo had begun to sell and trade animals surplus to its requirements at that time on a small scale. Since the Zoo was still in the process of building a basic animal collection, this activity was considered to be part of the acquisition process. Accordingly, net revenues generated from this activity were deferred to be used for subsequent acquisitions and were not reflected in the accounts of the Board other than reporting net assets as accounts receivable and the related credit as funds held for future animal purchases.

Since then, the activity has escalated considerably, largely because of the success of the breeding programs at the Zoo. Net revenues have been generated in each year since 1978 and now have accumulated to $207,000.

The Board's transactions from May 1, 1978 to December 31, 1983 relating to this fund were as follows:

Receipts	
Contribution from the Metropolitan Toronto Zoological Society May 1, 1978	$ 84,000
Sale of animals	453,000
Sundry revenue	105,000
	642,000
Disbursements	
Purchase of animals	384,000
Other expenses, including bad debts of $30,000	51,000
	435,000
Balance of fund, December 31, 1983	$207,000

For 1982 and 1983, the transactions of this fund are shown in the schedule of Animal Revenue Fund Operations and the following assets and liabilities are reflected in the balance sheet of the Board:

	1983	1982
Cash	$164,000	$112,000
Accounts receivable	60,000	99,000
Accounts payable	(17,000)	(13,000)
Net balance animal revenue fund	$207,000	$198,000

As I stated in my 1982 report, in my view this activity has reached a point where it can no longer be considered part of the basic acquisition process. Accordingly, I feel that future activities of this nature should be part of normal operations of the Zoo, and the results should be reflected in the net operating cost of the Zoo. In addition, the disposition of the accumulated balance of $207,000 needs to be reviewed.

I have had considerable dialogue with Zoo management on this issue over the past year and the issue has also been discussed during the 1984 budget cycle. It is my understanding that the Board proposes to deal with this issue during the 1984 fiscal year.

Contingent Liability - Workers' Compensation Board

During 1982, the Zoo was assessed an additional $28,000 by the Workers' Compensation Board, relating to deficit experience up to and including the 1980 fiscal year. In addition, there could be further assessments relating to deficit experience to date as a result of increasing costs of accidents at the Zoo, as reflected in the following table:

Year	Number of Accidents	Total Cost (in thousands)
1978	31	$ 24
1979	35	48
1980	30	54
1981	28	141
1982	34	125
1983	31	76

Of the above costs, a total of over $326,000 was paid out to 7 employees. As some of these employees are still undergoing treatment, the final costs related to these employees could still be considerably higher.

METROPOLITAN AUDITOR

The Municipality of
Metropolitan Toronto

Metropolitan Audit Department

12th Floor, 365 Bay Street
Toronto, Ontario, Canada M5H 2V1
Telephone: (416) 947-8030

Allan G. Andrews, C.A., *Metropolitan Auditor*

April 4, 1984

AUDITOR'S REPORT

**To the Chairman and Members of the
Board of Management of the
Metropolitan Toronto Zoo**

I have examined the balance sheet of the Board of Management of the Metropolitan Toronto Zoo as at December 31, 1983 and the statement of operations for the year then ended. My examination was made in accordance with generally accepted auditing standards and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Board as at December 31, 1983 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

METROPOLITAN AUDITOR

THE BOARD OF MANAGEMENT OF THE METROPOLITAN TORONTO ZOO

BALANCE SHEET

DECEMBER 31, 1983

(with comparative figures for 1982)

	1983	1982
ASSETS		
Cash	$ 183,909	$ 178,597
Accounts receivable		
Municipality of Metropolitan Toronto	787,703	700,397
Metropolitan Toronto Zoological Society	20,023	33,726
Other	71,029	108,410
Prepaid expenses	10,678	12,282
	$1,073,342	$1,033,412
LIABILITIES		
Accounts payable and accrued liabilities	$ 859,991	$ 682,876
Deferred revenue	3,117	20,553
Animal Revenue Fund (Schedule 1)	207,090	197,780
Contribution from the Metropolitan Toronto Zoological Society for future purchases (note 3)	3,144	132,203
	$1,073,342	$1,033,412

(see accompanying notes)

On Behalf of the Board:

_____
DIRECTOR

_____
DIRECTOR

THE BOARD OF MANAGEMENT OF THE METROPOLITAN TORONTO ZOO

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1983

(with comparative figures for 1982)

	1983	1982
OPERATING COST		
Salaries, wages and fringe benefits	$6,585,884	$6,156,701
Animal and plant care supplies	565,208	518,890
Maintenance, supplies and utilities	1,633,291	1,663,453
Advertising and promotion	264,02[illegible]	245,008
Equipment	255,803	324,438
Office supplies, rentals and services	150,222	161,742
Other	74,061	57,710
	9,528,495	9,127,942
OPERATING REVENUE		
Admissions	2,238,704	2,261,856
Parking	358,714	210,373
Domain and Surface rides	412,958	435,098
Concessions	124,902	115,395
Other	436,505	401,823
	3,571,783	3,424,545
NET OPERATING COST	$5,956,712	$5,703,397
FUNDED BY:		
Contributions by the Municipality of Metropolitan Toronto		
General appropriation	$5,941,236	$5,682,300
Special maintenance costs (note 4)	15,476	21,097
	$5,956,712	$5,703,397

(see accompanying notes)

THE BOARD OF MANAGEMENT OF THE METROPOLITAN TORONTO ZOO

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1983

1. INCORPORATION AND OPERATION

The Board of Management of the Metropolitan Toronto Zoo was established as a Corporation by the enactment of Section 213(2) of the Municipality of Metropolitan Toronto Act. In accordance with the act, the Metropolitan Council:

a) appoints the members of the Board from time to time;

b) is responsible for any deficit and is entitled to any net income from operations.

The Board of Management operates and manages the Metropolitan Toronto Zoo as a zoo under the terms of an agreement between the Board and the Municipality of Metropolitan Toronto executed on April 12, 1978.

2. ACCOUNTING POLICIES

a) Major capital facilities are financed by and are the property of the Municipality of Metropolitan Toronto. Other capital expenditures on plant and equipment are charged by the Board to current operations in the year of purchase, in accordance with principles prescribed for Ontario Municipalities.

b) The live collection of the zoo is the property of the Municipality of Metropolitan Toronto and accordingly is not carried in the accounts of the Board. The Board actively trades and sells specimens surplus to its needs, recording animal trades at market value. Net revenues generated from this activity are deferred and held for future purchases of animals (see Schedule I).

c) Inventories of food, drugs, materials and supplies are not recorded in the accounts and are charged to current operations in the year of purchase.

3. CONTRIBUTIONS FROM THE METROPOLITAN TORONTO ZOOLOGICAL SOCIETY

The Metropolitan Toronto Zoological Society made contributions in 1983 totalling $75,661 to the Board for specific purposes. This contribution, together with the unexpended portion of prior years' contributions, was used by the Board to finance the Littlefoot Land Phase II expansion, to purchase a fourth Zoomobile and to build a parrot aviary. The balance of $3,144 will be expended in 1984.

4. SPECIAL MAINTENANCE COSTS

Under the Canada/Ontario Employment Development Programme, the Board undertook various labour intensive maintenance projects with a total cost of $15,476, which amount is recorded in the accounts of the Board. Funding for this expenditure was provided through the Metropolitan Corporation, who received a subsidy from the Province of Ontario and the Government of Canada of $15,476.

5. LIABILITY FOR VESTED SICK LEAVE BENEFITS

Under the Sick Pay Credit Plan for employees of the Board, unused sick leave credits can accumulate and employees may become entitled to a cash payment on resignation, retirement or death. The contingent liability for these accumulated days, to the extent that they have vested and could be taken in cash by the employee on termination, amounted to approximately $568,000 at December 31, 1983 (1982 - $494,000). It is the policy of the Board to record the cost of such payments in the year in which the liability becomes payable and accordingly no provision has been made towards such liability in the accounts.

6. CONTINGENT LIABILITY

In 1982, the Board was assessed an additional $28,174 by the Worker's Compensation Board relating to deficit experience up to and including the 1980 fiscal year. This assessment was appealed during 1983 but the appeal was disallowed. As a consequence, the Board may be assessed further amounts relating to deficit experience to date. Since the existence or amount of any liability cannot be precisely determined, no related provision has been made in the accounts.

7. CHANGES IN FINANCIAL POSITION

No statement of changes in financial position has been prepared as such a statement does not provide significant additional disclosure.

8. COMPARATIVE FIGURES

Certain of the 1982 figures presented here for comparative purposes have been reclassified to conform with the current year's presentation.

Schedule I

THE BOARD OF MANAGEMENT OF THE METROPOLITAN TORONTO ZOO

SCHEDULE OF ANIMAL REVENUE FUND OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1983

(with comparative figures for 1982)

	1983	1982
Balance, beginning of year	$ 197,780	$ 110,703
Operating Revenue		
Sale of animals	45,422	66,063
Exchange of animals	54,405	13,472
Insurance recovery		45,722
Bad debt recovery	80	1,650
Gain on foreign exchange	1,458	3,427
Interest	9,370	7,498
Other		462
	110,735	138,294
Operating Costs		
Purchase of animals	54,139	18,006
Exchange of animals	43,665	29,900
Other	3,621	3,311
	101,425	51,217
Net Operating Revenue	9,310	87,077
Balance, end of year	$ 207,090	$ 197,780

(see accompanying notes)

POOR

QUALITY

ORIGINAL